Preston
MINES LIMITED

Annual Report 1969

Preston

MINES LIMITED

ANNUAL MEETING

The annual meeting of the shareholders of the Company will be held on Wednesday, April 15, 1970 at 11:00 a.m. (Toronto time) in the Conference Room, 26th floor, 120 Adelaide Street West, Toronto, Canada.

Annual Report 1969

Preston Mines Limited

Officers

R. D. Armstrong	President
W. P. Arnold	Vice-President
G. Baker	Vice-President
A. C. Turner	Secretary
J. Van Netten	Treasurer

Directors

G. R. Albino
R. D. Armstrong
W. P. Arnold
G. Baker
J. I. Crookston
Dr. G. B. Langford
R. D. Lord
B. R. MacKenzie, Q.C.
W. C. Pitfield
J. R. Robinson

Head Office

120 Adelaide Street West, Toronto, Canada

Bankers

The Toronto-Dominion Bank	Toronto, Ontario

Solicitors

Hetherington, Fallis, Park & Tascona	Toronto, Ontario

Auditors

Coopers & Lybrand, Chartered Accountants	Toronto, Ontario

Transfer Agents

Common Shares

Canada Permanent Trust Company	Toronto, Ontario
Canadian Bank of Commerce Trust Company	New York, N.Y.

Common Shares Listed

Toronto Stock Exchange	Toronto, Ontario
American Stock Exchange	New York, N.Y.

Directors' Report

Your Directors are pleased to submit this report on the operations and financial position of the Company for the year ended December 31, 1969.

Financial

The Company's net earnings for the year 1969 were $2,304,777, representing 29 cents per share on the average number of shares outstanding during the year, as compared with $2,317,011 or 30 cents per share in the previous year. The Company's earnings, as in the past number of years, came substantially from dividends received on its 43.94% share interest in Rio Algom Mines Limited. In 1969 these dividends amounted to $2,152,960, the same amount as in the previous year.

Two dividends of 14¢ per share each were paid by the Company in 1969, the first being on June 27 and the second on December 31, amounting in total to $2,197,813.

Stanleigh Property

As previously reported, a drilling program was commenced in November 1967 for the purpose of assessing the potential of the Company's Stanleigh uranium property. A total of twelve deep holes have been completed for a total footage of 50,200 feet, including approximately 2,250 feet of wedging. All but one hole encountered mineralization. Results of the drilling program are being assessed and studies are in progress to determine the potential viability of the Stanleigh uranium property.

Investment in Rio Algom Mines Limited

No change has been made in your Company's investment in Rio Algom which remains at 5,382,400 common shares, representing an interest of 43.94% of the issued common shares of that Company.

With the consent of Rio Algom and for your information, the report of the Directors of that Company to its shareholders for 1969 is reproduced in full as part of this report.

On behalf of the Board

R. D. Armstrong
President

Toronto, Canada
March 4, 1970

Auditors' Report

To the Shareholders of Preston Mines Limited:

We have examined the statement of financial position of Preston Mines Limited as at December 31, 1969 and the statements of earnings and retained earnings and source and disposition of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1969 and the results of its operations and source and disposition of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 20, 1970

COOPERS & LYBRAND
Chartered Accountants

Preston Mines Limited
(Incorporated under the laws of Ontario)

Statement of Financial Position
December 31, 1969

	1969	*1968*
CURRENT ASSETS:		
Cash	$ 94,421	*$ 105,991*
Short term investments, at cost, and deposits	1,184,919	*1,292,685*
Settlements and accounts receivable	21,293	*42,153*
Estimated amount receivable under The Emergency Gold Mining Assistance Act	7,067	*26,649*
Accounts receivable from affiliated companies	2,742	*4,964*
Prepaid expenses	30,079	*35,079*
	1,340,521	*1,507,521*
Less:		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	47,965	*58,671*
Accounts payable to affiliated companies	—	*732*
Unclaimed dividends	144,014	*144,014*
	191,979	*203,417*
WORKING CAPITAL	1,148,542	*1,304,104*
Investment in Rio Algom Mines Limited:		
5,382,400 common shares, at cost	50,828,700	*50,828,700*
Debentures, at cost	477,500	*477,500*
Mining properties, less amortization (note 1)	2	*2*
Deferred development expenditure	577,754	*315,228*
Excess of assets over liabilities	$53,032,498	*$52,925,534*
OWNERSHIP EVIDENCED BY:		
Capital Stock —		
Authorized:		
1,069,925 4% cumulative, redeemable, non-voting preference shares with a par value of 50 cents each		
10,000,000 common shares without par value		
Issued:		
7,849,333 common shares	$26,910,985	*$26,910,985*
Contributed surplus	24,993,673	*24,993,673*
Retained earnings	1,127,840	*1,020,876*
	$53,032,498	*$52,925,534*

Approved on behalf of the Board:

R. D. ARMSTRONG, Director

G. R. ALBINO, Director

Statements of Earnings and Retained Earnings

YEAR ENDED DECEMBER 31, 1969

EARNINGS

	1969	1968
REVENUE:		
Bullion production less marketing costs	$ —	$ 453,209
Estimated recovery under The Emergency Gold Mining Assistance Act	—	50,635
	—	503,844
MINE OPERATING COSTS	—	367,113
PROFIT from mining operation before the undernoted items	—	136,731
ADD OR (DEDUCT):		
Dividends received from Rio Algom Mines Limited	2,152,960	2,152,960
Investment and other income	126,724	117,863
Gain on sale of fixed assets	174,451	172,829
Cost of reconditioning equipment sold and idle mine expense	(63,359)	(69,652)
Mine shutdown expense	—	(61,415)
Administrative and general expense	(85,999)	(61,860)
Termination pay	—	(70,445)
NET EARNINGS FOR THE YEAR (note 2)	$ 2,304,777	$ 2,317,011
Net earnings per common share	29¢	30¢

RETAINED EARNINGS

BALANCE, beginning of year	$ 1,020,876	$ 2,084,541
NET EARNINGS for the year	2,304,777	2,317,011
	3,325,653	4,401,552
DEDUCT:		
Dividends on common shares	2,197,813	2,197,813
Amortization of original cost of the depleted gold mining property (note 1)	—	1,182,863
	2,197,813	3,380,676
BALANCE, end of year	$ 1,127,840	$ 1,020,876

Statement of Source and Disposition of Funds

YEAR ENDED DECEMBER 31, 1969

	1969	1968
SOURCE OF FUNDS:		
Net earnings for the year	$ 2,304,777	$ 2,317,011
Less gain on sale of fixed assets included in earnings	174,451	172,829
Total from operations	2,130,326	2,144,182
Proceeds from sale of fixed assets	174,451	180,083
	2,304,777	2,324,265
DISPOSITION OF FUNDS:		
Dividends on common shares	2,197,813	2,197,813
Deferred development on Stanleigh uranium property	262,526	288,455
	2,460,339	2,486,268
DECREASE in working capital	$ 155,562	$ 162,003

Notes to Financial Statements
DECEMBER 31, 1969

1. PLANT AND EQUIPMENT AND MINING PROPERTIES

Plant and equipment consists of:	1969	*1968*
Buildings, machinery and equipment, at cost	$21,278,719	*$21,778,580*
Less accumulated depreciation	21,278,719	*21,778,580*
	$ —	*$ —*

Mining properties consists of:		
Mining properties, at cost	$ 1,752,654	*$ 1,752,654*
Less accumulated amortization	1,752,652	*1,752,652*
	$ 2	*$ 2*

In recognition of the cessation of the gold mining operation and physical depletion of the gold ore reserves, the original cost of the gold mining property was fully amortized in 1968 by a charge to retained earnings; the cost of plant and equipment was also fully depreciated during the year.

Plant and equipment and mining property used in the production of uranium were fully depreciated by December 31, 1963 at which time deliveries under contract had been completed.

2. INCOME AND MINING TAXES

Because of the exemptions and deductions permitted for tax purposes, it is estimated that the company has no liability for income or mining taxes for the year.

3. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year ended December 31, 1969 the aggregate direct remuneration paid or payable by the company to the directors and senior officers of the company was $34,188.

Rio Algom Mines Limited

Directors' Report

(see note on page 3)

Your Directors are pleased to submit this report on the operations and financial position of the Company for the year ended December 31, 1969.

Financial

Consolidated net earnings for 1969 were $15,361,000 as compared with consolidated net earnings of $13,012,000 for 1968. The net earnings for 1968 included extraordinary income of $4,943,000 resulting from a gain of $3,984,000 on the sale of the Company's total shareholdings of British Newfoundland Corporation Limited and Churchill Falls (Labrador) Corporation Limited and the receipt of $959,000 representing the net management fee applicable to prior years received from those companies in 1968. Net earnings per share on the average number of common shares outstanding were $1.18 in 1969 as compared with 99¢ in 1968, in both cases after provision for dividends on preference shares.

Net earnings from operations increased to $15,361,000 in 1969 from $8,069,000 in 1968. The increase of $7,292,000 is the net result of increases of $6,657,000 and $2,594,000 in Mining and Steel Division earnings respectively, partly offset by an increase of $1,959,000 in the total of corporate expenses, net interest costs and taxes. The increase in Mining Division earnings is mainly attributable to a higher level of copper prices and greater uranium production. Uranium production increased as a result of both an increased milling rate at the Quirke mill and a better average grade obtained from mining the higher grade New Quirke mine ore at a progressively higher rate; also there were no industrial stoppages in 1969 whereas in 1968 production of uranium was lost for twenty-nine days when a strike occurred at Elliot Lake. The improvement in Steel Division earnings reflects increased sales volume, a better mix of both products and markets, some price increases and improved manufacturing performance, particularly at the Tracy plant. The increase of $689,000 in Corporate expenses arises primarily because the expenses of 1968 are stated net of the receipt of a management fee applicable to that year received from British Newfoundland Corporation Limited and Churchill Falls (Labrador) Corporation Limited in accordance with a management contract which was terminated at December 31, 1968. The increased provision for taxes reflects the higher earnings of subsidiary companies.

During 1969 dividends of $859,000 on preference shares and $4,900,000 on common shares were paid. Dividends on common shares were paid at the same rate of 40¢ per share as in 1968 and represented 31.9% of consolidated net earnings. Preference dividends were $11,000 lower than in 1968 because 3,000 preference shares were purchased for cancellation during the year.

Bank loans were reduced during the year from $9,808,000 to $2,849,000. Of the reduction, $6,540,000 related to loans to Anglo-Rouyn Mines Limited and Mines

de Poirier Inc. The loans of these two companies, which at their maximum totalled $13,000,000, had been reduced to $1,485,000 at the end of 1969.

Working capital increased by $1,042,000 and totalled $89,821,000 at the end of the year. The net excess of assets over liabilities increased to $167,477,000 from $158,132,000. During the year the Company and its subsidiaries expended $13,081,000 on capital projects and $2,700,000 on development projects.

Under the terms of its uranium sales contract with Eldorado Nuclear Limited net advance payments of $2,125,000 remain to be repaid; of this amount, $1,192,000 is due in 1970 and $933,000 in 1971.

Mining

The initial expansion of the Quirke mill, undertaken during the rehabilitation program, was from 3,000 to 3,700 tons per day. The mill actually has operated at a level of approximately 4,000 tons per day consistently for the past several months. Experiments have been and are being carried out to further increase mill capacity to approximately 4,500 tons per day, primarily by changes in milling practice and modest capital investment. The modifications are expected to increase the productive capacity of the existing Quirke mill facilities to the extent required to meet deliveries into the mid-1970's under present sales contracts.

In 1969, in addition to deliveries under the master contract with Eldorado Nuclear Limited, the Company's first deliveries were made under ten-year contracts with eight Japanese electric power utilities. Regular deliveries of one million pounds per year will continue through 1978. Initial deliveries were also made in 1969 to Canadian Westinghouse Co. Ltd., on a short term contract obtained late in 1968. Deliveries will commence in 1970 on the present contract with Ontario Hydro and will continue on an escalating annual basis through 1978, after which they remain on the same level through 1983.

Two new uranium orders were received during 1969, both from Japan. The first was from Kyushu Electric Power Co., Inc., covering 400,000 pounds of uranium oxide for delivery in 1972. The second, involving 55,000 pounds for delivery late in 1969, was from Mitsubishi Atomic Power Industries Inc., for use in the first Japanese Nuclear Ship.

Work to develop a new uranium mine in Utah began on site in March 1969. The total cost to bring the mine into production is estimated to be approximately $20 million (U.S.). The Company has already provided $4.8 million (U.S.) equity to the wholly-owned United States subsidiary that will operate the mine. $14.0 million (U.S.) will be loaned to the subsidiary by a banking consortium in which First National City Bank of New York is the lead bank. Operations are scheduled to begin in 1972 at an annual production rate of approximately 1,200,000 pounds of uranium oxide per year. 500,000 pounds of uranium oxide are required to be produced per year under a sales contract with Duke Power Company of Charlotte, North Carolina, starting in July 1972, and ending in June 1978. A letter of intent was received from Duke Power Company dated February 12, 1970 with respect to an additional purchase of a total of 4,900,000 pounds of uranium oxide to be delivered over a seven year period commencing July 1973.

Sinking of the ventilation shaft began in March and of the production shaft in November. Both shafts are to be sunk to a depth of 2,650 feet; at the end of the year they had reached depths of 1,498 and 432 feet respectively. Mine site plans have been completed and an access road built. General design of the mine plant has been completed, the permanent production headframe erected and most major equipment selected. The production hoist will be delivered during the summer of 1970. A preliminary mill design has been completed following process and flow sheet development by Company metallurgists.

Lornex

A major event for Rio Algom in 1969 was the signing of the formal contracts for the financing of the Lornex mine in British Columbia and the sale for twelve years of the entire production of copper concentrates from the mine. The total estimated cost of bringing the mine into production, including $10.2 million spent to the end of 1969, is $123.6 million. Design capacity is 38,000 tons of ore per day and annual output is estimated at approximately 162,000 short tons of copper concentrate and 2.5 million pounds of contained molybdenum in concentrate. When in operation, Lornex will be the largest non-ferrous mine in Canada.

During December 1969, the following formal contracts were signed:

- A sales contract between Lornex and nine Japanese companies for the sale of the entire production of copper concentrates from the mine for a term of twelve years.

- A loan agreement between Lornex and the Japanese companies to purchase Lornex notes in the principal amount of $26.5 million (U.S.) secured by second mortgage bonds.

  Both the sales contract and loan agreement are subject to Japanese government approval.

- An agreement between Lornex and three Canadian banks, Canadian Imperial Bank of Commerce, The Toronto-Dominion Bank and Bank of Montreal, for advances of $60 million (Cdn.) secured by first mortgage bonds.

- An agreement between Lornex and Rio Algom and The Yukon Consolidated Gold Corporation Limited for the sale of units of unsecured income debentures and Lornex shares of $23.6 million in total, of which 90% will be subscribed by Rio Algom and 10% by Yukon.

- A construction and management agreement between Rio Algom and Lornex under which Rio Algom has agreed to assume the responsibility for the construction of the Lornex Project and supervise and manage the business and operations of Lornex during construction and thereafter for a period of at least fifteen years from December 1, 1969. Rio Algom will incur on behalf of Lornex all defined construction period costs and those operating costs incurred during the first two years following commencement of commercial production. Rio Algom's obligation to do work or incur further expenses without being reimbursed in cash is suspended if construction

period costs incurred exceed by $20,000,000 the amount for which Rio Algom has been reimbursed in cash, or, in the alternative, if construction period costs together with operating costs in the aggregate exceed by $30,000,000 the amount for which Rio Algom has been reimbursed in cash until Rio Algom is satisfied that it will be reimbursed in cash by Lornex for such work or expenses. Rio Algom will receive a management fee of $250,000 per year commencing January 1, 1969.

When Rio Algom purchases $21,240,000 of Lornex income debentures and shares, its current 36% interest in Lornex will be increased to 50%.

Definitive engineering for Lornex is currently underway, as is detailed planning for the many other aspects of this major project. Selection of long lead time equipment has been made and contingent orders placed where necessary. Key staff for the project has been assembled so that construction can begin in an orderly manner when Japanese Government approval is received. Production is expected to begin in 1972.

In order to finance the Lornex project to the time that construction begins, Rio Algom and Yukon have agreed to advance, including amounts already advanced, up to $5,400,000 and $600,000 respectively to Lornex on a demand loan basis. Repayment will be made from the first proceeds received by Lornex from the sale of income debentures to Rio Algom and Yukon.

Exploration

Exploration work carried out by the Company and its subsidiaries on their own account and through participation in joint exploration with others was expanded in the year. The search for new orebodies was concentrated on uranium and base metal prospects in Canada and the United States. A major search for coking coal in the eastern foothills of the Rocky Mountains was initiated early in the year. The exploration organization has recently been reorganized and strengthened to provide for the most effective implementation of our rapidly expanding programs and to aggressively seek new exploration opportunities. The level of expenditure in 1969 increased to $1,621,000, from $1,257,000 in 1968 and $1,026,000 in 1967. Expenditures in 1970 are expected to increase over the 1969 level, reflecting a further intensification and broadening of several large-scale programs. In most of these major programs the Company is in partnership with Japanese or Canadian companies.

Steel

The record sales level attained in the year reflects the high level of demand for all products throughout the year and an improved mix, both of product and markets, together with some price increases. A substantial increase in sales of stainless flat rolled product from the Tracy plant was again a significant factor in the further improvement in the Steel Division operating earnings. The

Welland plant also contributed to the improvement as sales of its products were higher and a significant upgrading of product mix was achieved. The nickel shortage in the last half of the year made it necessary to cut back production of high nickel-bearing steels but overall production schedules were maintained through customer acceptance of lower nickel and non nickel-bearing products and by maximum utilization of nickel supplies available.

The major long-term program to modernize the Welland plant, initiated in 1967, continued on schedule. Major units installed were five new soaking pits at the blooming mill and new heating and dispositioning furnaces at the billet and bar operation. A new building for expansion of the cold draw facilities was completed, with installation of equipment and operation planned for the first half of 1970. These and similar facilities are essential for the improvement of the basic steel-making capability and to achieve the basic objective of improving technological capability, reducing costs and upgrading the product mix at the Welland plant. The program will continue through 1970 and several subsequent years.

FUTURE OUTLOOK

Mining

In the past year there have been delays, particularly in the United States, in bringing new nuclear plants to completion on schedule. Largely as a result of this, there have been delays in ordering new plants, although the pace appeared to improve in the closing months of the year. However, the long-term growth in world-wide demand for uranium continues to be as encouarging as ever, after taking into account the relatively lower level of reactor sales in the U.S. in 1969. Actually, the outlook for nuclear power in other parts of the world, particularly the European continent and Japan, appeared brighter in 1969. On balance, we see no reason for modifying our optimism about the long-term future for nuclear power.

Further, the Company's large uncommitted uranium reserves and flexible production capability in Canada place it in a most favourable position to benefit as the world demand for uranium develops. Few other companies are able to offer large quantities of uranium into the 1980's from a source as stable as from the Company's properties in Canada. The development of the Utah mine, the production from which is substantially committed, is of major importance since it establishes the Company as a supplier in the United States market, the world's largest single market. The Company and its subsidiaries expanded the search for new uranium ore reserves in Canada and the United States last year reflecting confidence in the future uranium market.

In regard to our other mines, the operating results and the development work done at Mines de Poirier in 1969 were highly encouraging. The grade of ore milled increased significantly and reserves improved both in tonnage and grade. This should extend the life of the mine and assure its continued profitability.

Steel

Demand for the Company's stainless and specialty steel products is expected to remain strong in 1970. Stainless steel sales are running at an all-time high

with the current nickel shortage contributing to the build-up of substantial backlogs in these products. The total company order backlog going into the new year was 42% higher than the backlog at the beginning of 1969 and should provide a solid base for sales in 1970. The strong sales picture, however, is accompanied by major increases in costs.

Increases in the cost of nickel and other raw materials necessitated an increase in the price of all of the Company's stainless products effective December 29, 1969. Price increases were also announced late in 1969 on alloy steel products sold by the Company. Management will continue to watch this situation very closely as the year progresses. The strong sales outlook, a further increase in production at the Tracy plant and the modernization program at the Welland plant are expected to contribute to further improvement in Steel Division earnings if economic conditions remain favourable.

ORGANIZATION

In May, your Directors lost an esteemed colleague in the sudden death of Mr. Donald Gordon, C.C., C.M.G., who had been a Director of the Company since March 1967. In November, a sad loss was suffered in the tragic death of Mr. D. J. McParland, who was a victim of an air crash in Labrador. Mr. McParland rendered most valuable services to the Company, rising from an engineer to Chief Engineer and becoming a Director of the Company in March 1967. At the time of his death, Mr. McParland was President and Chief Executive Officer of British Newfoundland Corporation Limited and Churchill Falls (Labrador) Corporation Limited.

It is intended that one vacancy on the Board of Directors will be filled by Mr. William D. Mulholland, President and Chief Executive Officer of British Newfoundland Corporation Limited and President of Churchill Falls (Labrador) Corporation Limited. You will be asked at the Annual and General Meeting to authorize a decrease in the Board of Directors from nineteen members to eighteen.

During the year, Mr. A. F. Lowell, formerly Marketing Manager, Mineral Products, was appointed Vice-President, Minerals Marketing. Mr. J. A. Sadler, President of the Company's exploration company, Rio Tinto Canadian Exploration Limited, has been appointed Vice-President, Exploration of the Company. This appointment was recently made in recognition of the increased scope and responsibilities relating to exploration programs.

The Directors of your Company wish to express their thanks to all officers and employees of the Company and its associated companies for their effective efforts during the past year.

On behalf of the Board

Toronto, Canada,
February 27, 1970

R. D. Armstrong
President

Rio Algom

Rio Tinto

Printed in Canada

AR37

PRESTON MINES LIMITED

Notice of Annual and General Meeting of Shareholders

NOTICE IS HEREBY GIVEN that an Annual and General Meeting of Shareholders of Preston Mines Limited (the "Company") will be held in the Conference Room, 26th Floor, 120 Adelaide Street West, Toronto, Ontario, Canada on Wednesday, April 16, 1969, at the hour of 11:00 o'clock in the forenoon, (Toronto time):

(a) to receive the annual report of the Company for the year ended December 31, 1968;

(b) to consider and, if deemed advisable, to confirm with or without variation a Special Resolution passed by the Directors of the Company on the 5th day of March 1969 increasing the Board of Directors from 9 to 10 and constituting 4 Directors to be a quorum at any meeting of the Board of Directors. The said Special Resolution requires confirmation by at least two-thirds (⅔) of the votes cast at the said Annual and General Meeting of Shareholders;

(c) to elect Directors for the ensuing year;

(d) to appoint Auditors for the ensuing year and to authorize the directors to fix the remuneration of the Auditors; and

(e) to transact such other business as may properly come before the meeting.

PROXIES are being solicited by the management of the Company. Common shareholders are entitled to vote at the meeting either in person or by proxy in accordance with the provisions of The Corporations Act of the Province of Ontario. If you are unable to be present at the meeting, please sign the attached form of proxy and return it in the addressed envelope provided for the purpose. All instruments appointing proxies to be used at the meeting must be deposited with Canada Permanent Trust Company, 1901 Yonge Street, Toronto 7, Ontario, prior to 5:00 P.M. (Toronto time) on Tuesday, April 15, 1969. Instruments appointing proxies not so deposited will not be voted at the meeting.

A copy of the annual report of the Company for the year ended December 31, 1968 is enclosed.

By Order of the Board of Directors

Toronto, Canada.
March 5, 1969.

A. C. Turner
Secretary

Proxy Statement and Information Circular

All Dollar Amounts in this Proxy Statement and Information Circular
refer to Canadian Dollars, unless
otherwise indicated

This Statement is furnished in connection with the solicitation by the management of Preston Mines Limited (hereinafter sometimes called "Preston" or "the Company") of proxies to be voted at the Annual and General Meeting of Shareholders of the Company to be held on April 16, 1969 for the purposes set forth in the accompanying notice of the said meeting.

VOTING RIGHTS

As at January 31, 1969 there were outstanding 7,849,333 common shares of the Company without par value. Each of such shares is entitled to one vote and does not have cumulative voting rights. All holders of common shares of record on April 16, 1969, the date of the Annual and General Meeting, are entitled to vote, but those desiring to be represented thereat by proxy must deposit their executed forms of proxy with Canada Permanent Trust Company, 1901 Yonge Street, Toronto, prior to 5:00 P.M. (Toronto time) on April 15, 1969. A return envelope for this purpose is enclosed. If the enclosed proxy is executed, it will be voted in accordance with the instructions contained therein, but such proxy may be revoked by the signing shareholder at any time insofar as it has not been exercised, by following the procedure outlined below.

To the knowledge of the nominees for election as Directors and Senior Officers of the Company, the only person or corporation who beneficially owns directly or indirectly more than 10% of the common shares of the Company is The Rio Tinto-Zinc Corporation Limited (Rio Tinto-Zinc), of 6 St. James's Square, London, S.W. 1, England. On February 15, 1969 Rio Tinto-Zinc beneficially owned, through wholly owned subsidiaries, 6,349,047 common shares of the Company, representing 80.89% of such shares outstanding. As at the same date the Company beneficially owned 5,382,400 common shares of Rio Algom Mines Limited (Rio Algom), an Ontario corporation, representing 43.94% of such shares outstanding; and Rio Tinto-Zinc was the beneficial owner, through wholly owned subsidiaries, of an additional 1,909,832 common shares of Rio Algom, representing 15.59% of such shares outstanding. Thus, Rio Tinto-Zinc on February 15, 1969 controlled a total of 7,292,232 common shares of Rio Algom representing 59.53% of such shares outstanding; and its total net beneficial interest in such shares represented 51.13% of such shares outstanding.

ELECTION OF DIRECTORS

In the absence of instructions to the contrary, the enclosed proxy will be voted for the nominees herein listed (or for substitute nominees in the event of contingencies not known at present) who will serve until the next Annual Meeting of Shareholders and until their successors are elected and qualify.

		Shares owned beneficially as at February 15, 1969 according to information received from Director (other than Director's qualifying shares)			
Name	Period of Directorship extends from year below to date hereof	Preston Common	Rio Algom Common	Anglo-Rouyn Mines Limited Common	Rio Tinto-Zinc Ordinary
G. R. Albino	1966	—	—	—	—
R. D. Armstrong	1967	—	25,288	—	—
W. P. Arnold	1960	—	—	10,000	—
G. Baker	1965	9	1	—	—
J. I. Crookston	1960	117	120	—	—
Dr. G. B. Langford	1960	275	—	—	—
R. D. Lord	1960	—	—	—	—
B. R. MacKenzie, Q.C. (1)	1968	117	286	—	—
W. C. Pitfield	1960	—	—	—	—
J. R. Robinson	—	—	—	—	1,000

(1) Mr. B. R. MacKenzie also owned beneficially as at February 15, 1969 10 Series C Warrants of Rio Algom and 10 Rio Algom preference shares.

The present principal occupation and association of each of the nominees for director are as follows:

G. R. Albino is Executive Vice-President, Corporate Staff of Rio Algom.

R. D. Armstrong is President of the Company and of Rio Algom.

W. P. Arnold is Vice-President of the Company and Executive Vice-President, Mining Operations of Rio Algom.

G. Baker is Vice-President of the Company and a Director, Vice-President and General Manager of Tinto Holdings Canada Limited, the parent of the Company, as from January 1, 1969.

J. I. Crookston is President of Nesbitt, Thomson and Company, Limited, Toronto, investment dealers.

G. B. Langford was Professor of Mining Geology at the University of Toronto, and the Director of the Great Lakes Institute, to the date of his retirement in June 1966.

R. D. Lord is General Manager of Operations of the Company and Manager of Mining Operations of Rio Algom.

B. R. MacKenzie is one of Her Majesty's Counsel and has been a Partner of Fasken & Calvin, Barristers and Solicitors, Toronto, for the past five years.

W. C. Pitfield is the President of Pitfield, Mackay, Ross & Company Limited, Toronto, investment dealers.

J. R. Robinson has been an Executive Director of Rio Tinto-Zinc since September 1964 and prior thereto was head of the Rio Tinto-Zinc Planning Department.

REMUNERATION AND OTHER TRANSACTIONS

The following table sets forth the aggregate direct remuneration paid by the Company and its controlled companies, including Rio Algom, to each person who was a Director of the Company at any time during the fiscal year ended December 31, 1968 and whose aggregate direct remuneration exceeded $30,000; and to each of the three highest paid officers of the Company whose aggregate direct remuneration during such period exceeded that amount; and the aggregate direct remuneration of all persons as a group who were Directors or Officers of the Company at any time during 1968. The table also shows the estimated annual pension benefits to become payable to the named individuals and to all the Directors and Officers of Preston as a group under Rio Algom's pension plan in the event of retirement at normal retirement date, assuming continuation of remuneration at the present rates.

Name of individual or identity of group	Capacities in which remuneration was received	Aggregate direct remuneration paid by the Company and its subsidiary Rio Algom (A)	Estimated annual benefits upon retirement under Rio Algom pension plans (B)
R. D. Armstrong	Director and President of the Company and of Rio Algom	$ 92,000	$17,145
W. P. Arnold	Director and Vice-President of the Company and of Rio Algom	$ 47,542	$10,945
G. R. Albino	Director of the Company and Vice-President of Rio Algom	$ 46,350	$22,020
R. D. Lord	Director of the Company and Manager of Mining Operations of Rio Algom	$ 38,400	$11,708
G. Baker	Director and Vice-President of the Company and Vice-President and Secretary of Rio Algom	$ 34,200	$ 9,358
14 Directors and Officers as a group (including the persons shown above)		$352,098	$99,133

(A) Includes information only with respect to periods during which a person served as a Director or Officer of the Company.

(B) Assuming continuance in the employ of Rio Algom at the current salary rates until normal retirement at age 65.

During the fiscal year ended December 31, 1968, the aggregate direct remuneration paid or payable by Preston to the Directors and Senior Officers of Preston, as such, was $49,689. During the fiscal year ended December 31, 1968, the aggregate direct remuneration paid or payable by Rio Algom (a non-consolidated subsidiary) to the Directors and Senior Officers of Preston was $312,205.

Preston has no pension plan. The estimated aggregate cost to Rio Algom during the last fiscal year of all pension benefits proposed to be paid under any normal pension plan in the event of retirement at normal retirement age, directly or indirectly, to the Directors and Senior Officers of Preston was $9,918.

Fees paid or payable by the Company or its controlled companies on an accrual basis to Fasken & Calvin of which B. R. MacKenzie, Q.C. of 73 Riverwood Parkway, Toronto 18, Ontario (a Director of the Company) is a Partner, amounted in 1968 to $135,155.

Pursuant to the terms of Rio Algom's Stock Option Plan (the Plan) and in consideration of agreements to remain an employee as defined, of that Company for at least one year, options were granted on March 31, 1967 and further options were granted on April 2, 1968 to certain Directors and Officers of the Company to purchase an aggregate of 12,500 and 10,500 common shares of Rio Algom at prices equal to 90% of the closing price of the common shares on the Toronto Stock Exchange on the date preceding the date of grant; each such option to be exercisable within ten years of the date of grant (or until three months after the normal date of retirement if such period be less than ten years) being exercisable at a specified rate for each year, commencing one year from the date of grant, on a cumulative basis.

The options provide that they may be exercised only upon the execution of a declaration that the purchase of common shares is not with a view to sale or redistribution of such shares in the United States, any territory or possession thereof or to any person who is known to be, or to be acting for, a citizen or resident of the United States or any territory or possession thereof.

The following tabulation shows as to certain Directors and Officers and as to all Directors and Officers as a group the amount of options granted under the terms of the Plan and the amount of shares subject to all unexercised options as at February 15, 1969.

	G. R. Albino	W. P. Arnold	R. D. Lord	G. Baker	All Directors and Officers as a group
Common shares of Rio Algom Granted March 31, 1967:					
Number of shares	5,000	5,000	2,500		12,500
Per share option price	$24.64	$24.64	$24.64		$24.64
Opening market price	$27.38	$27.38	$27.38		$27.38
Expiration date	March 30, 1977	June 1, 1974 (A)	Jan. 1, 1976 (A)		Mar. 30, 1977 (A)
Granted April 2, 1968:					
Number of shares	1,500	1,500	1,000	2,000	10,500
Per share option price	$28.35	$28.35	$28.35	$28.35	$28.35
Opening market price	$31.50	$31.50	$31.50	$31.50	$31.50
Expiration date	April 1, 1978	June 1, 1974 (A)	Jan. 1, 1976 (A)	Apr. 1, 1975 (A)	Apr. 1, 1978 (A)
Unexercised at February 15, 1969:					
Number of shares	6,500	6,500	3,500	2,000	19,500 (B)
Average per share option price	$25.50	$25.50	$25.70	$28.35	$25.97

(A) Options granted to certain individuals have earlier expiration dates related to normal retirement dates at age 65.

(B) Certain options have been extinguished by reason of termination of employment with Rio Algom.

None of the options referred to above have been exercised by any Director or Officer of the Company to February 15, 1969.

The price range of the common shares of Rio Algom in the thirty day periods preceding the date of grant was from a low of $24.64 to a high of $28.25 in respect of options granted March 31, 1967 and from a low of $29.64 to a high of $31.88 in respect of options granted April 2, 1968.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS OF THE COMPANY

The following are the material transactions of the Company since January 1, 1968 in which (i) any Director or Senior Officer of the Company; (ii) any proposed nominee for election as a Director of the Company; (iii) any person or company beneficially owning, directly or indirectly, more than 10% of the common shares of the Company; and (iv) any associate or affiliate of any of the persons or companies named in sub paragraphs (i), (ii) or (iii) had a direct or indirect material interest:

1. In 1968, RTZ Services Limited of 6 St. James's Square, London, S.W. 1, England, a wholly-owned subsidiary of Rio Tinto-Zinc, received a management fee from Rio Algom of $225,000. It is anticipated that a fee of like amount will be payable for 1969.

Mr. J. R. Robinson of 50 Wolsey Road, Moor Park, Northwood, Middlesex, England (a nominee for election as a Director of the Company) is an Executive Director of Rio Tinto-Zinc.

2. The Company paid management fees totalling $18,000 to Rio Algom for services rendered in 1968. The Company has entered into a new service contract with Rio Algom dated January 1, 1969 pursuant to which the Company will pay a fee of a like amount for 1969.

3. On January 1, 1968 Rio Algom owned 632,446 common shares of Churchill Falls (Labrador) Corporation Limited (Churchill Falls) and 736,950 common shares of British Newfoundland Corporation Limited (Brinco) which is the majority shareholder of Churchill Falls. On June 13, 1968 Rio Algom by the application of a loan of $3,539,700 made to Churchill Falls in October 1967, paid in full the 90% balance of the unpaid subscription for 262,200 common shares of Churchill Falls subscribed for in October 1967. Between July 2, 1968 and August 20, 1968 Rio Algom, pursuant to rights granted by Churchill Falls, purchased 172,988 common shares of Churchill Falls for $2,594,820. On August 22, 1968 Rio Algom sold its total shareholdings of 805,434 shares of Churchill Falls to Brinco for $12,081,510 cash and its total shareholdings of 736,950 shares of Brinco to Thornwood Investments Limited (Thornwood) for $4,053,225 cash.

As of December 31, 1968 Rio Algom entered into an agreement with Churchill Falls, Brinco and Rio Tinto North American Services Limited (Nasco) whereby Brinco and Churchill Falls consented and agreed to the assignment, transfer and setting over unto Nasco by Rio Algom of all the right, title and interest of Rio Algom to and under an agreement dated as of October 31, 1966 between Rio Algom, Brinco and Churchill Falls. The agreement of October 31, 1966 provided for services to be rendered to Brinco and Churchill Falls by Rio Algom, in consideration of which Rio Algom was to receive a management fee at the annual rate of $1,000,000 from November 1, 1966 until December 31, 1971, and thereafter until December 31, 1975 at the annual rate of $600,000. Rio Algom received the management fee to December 31, 1968 pursuant to the terms of this agreement.

Rio Tinto-Zinc together with companies controlled by it has a 100% interest in the shares of Nasco and an 80% interest in the shares of Thornwood. Mr. J. R. Robinson of 50 Wolsey Road, Moor Park, Northwood, Middlesex, England (a nominee for election as a Director of the Company) is an Executive Director of Rio Tinto-Zinc.

4. Between May 1965 and July 1967 Rio Algom purchased from Lornex Mining Corporation Ltd. (Lornex) 1,440,000 shares of Lornex for $2,312,500 on exercise of share purchase options granted pursuant to an exploration agreement dated May 1, 1965 entered into between Rio Algom, Lornex, Egil H. Lorntzsen and A. David Ross. Rio Algom purchased an additional 182,736 shares of Lornex on exercise of its rights under a rights offering made by Lornex to its shareholders in September 1967 and 1,312 shares which were unsubscribed in the rights offering. As a result of these transactions and including shares purchased on the open market in 1967, Rio Algom owns 1,645,950 of the outstanding common shares of Lornex.

Robert D. Armstrong of 30 Glenorchy Road, Don Mills, Ontario (a Director and President of Preston and of Rio Algom) has been President of Lornex since December 20, 1966.

5. Between May 1965 and July 1967 The Yukon Consolidated Gold Corporation Limited (Yukon) (of which Rio Tinto-Zinc was, until July 1967, the indirect beneficial owner of approximately 12¼% of the outstanding shares) purchased from Lornex through Rio Algom 960,000 shares of Lornex for $2,312,500. The shares purchased by Yukon are in addition to the shares purchased by Rio Algom and referred to in a previous paragraph. Such purchase was made pursuant to an agreement between Yukon and Rio Algom's exploration subsidiary, Rio Tinto Canadian Exploration Limited (Riocanex) pursuant to which Yukon had the right to acquire 40% of Rio Algom's interest in Lornex upon payment of 50% of the cost of such interest to Rio Algom.

In June 1967 Riocanex entered into an agreement with Yukon whereby the exploration agreement was terminated as at January 1, 1967. At the same time, Rio Algom and Riocanex entered into a voting agreement effective January 1, 1967 with Yukon relating to the Lornex shareholdings of Rio Algom and Yukon. The voting agreement effectively joins such shareholdings to maintain voting control of Lornex and to provide for continuity of management of Lornex.

Under the terms of the exploration agreement dated May 1, 1965 referred to in paragraph number 4 above Rio Algom has the right, in its absolute discretion, to decide if the Lornex mineral claims should be brought into production. Although Rio Algom is actively engaged in discussions with marketing and financing sources, no decision has been made by Rio Algom that the Lornex mineral claims should be brought into production.

6. On December 24, 1968 Rio Algom entered into an agreement with Rio Tinto Finance & Exploration Limited (Riofinex) of 6 St. James's Square, London, S.W.1, England, relating to a uranium prospect discovered by Riofinex in Africa. In summary, the agreement provides that, if Riofinex does not meet the conditions required under a uranium sales contract entered into by Riofinex with an unaffiliated third party, Rio Algom will deliver 1,000,000 pounds of U_3O_8 per year during the period 1974 to 1981 inclusive, in the place and stead of Riofinex and on substantially the same terms. Rio Algom will be entitled, as consideration for its undertaking, to subscribe to 10% of the total equity share capital issued by any mining company promoted by the Rio Tinto-Zinc group of companies to exploit a uranium prospect in a specified area of Africa, such subscription to be on the same terms as extended to the promoting company.

Riofinex is a wholly-owned subsidiary of Rio Tinto-Zinc. Mr. J. R. Robinson of 50 Wolsey Road, Moor Park, Northwood, Middlesex, England (a nominee for election as a Director of the Company) is an Executive Director of Rio Tinto-Zinc.

At the present time, there are no other material transactions proposed to be entered into by the Company in which (i) any Director or Senior Officer of the Company; (ii) any proposed nominee for election as a Director of the Company; (iii) any person or company beneficially owning, directly or indirectly, more than 10% of the common shares of the Company; and (iv) any associate or affiliate of any of the persons or companies named in subparagraphs (i), (ii) or (iii) has a direct or indirect material interest.

INCREASE IN BOARD OF DIRECTORS

The Directors resolved by Special Resolution passed on March 5, 1969 to increase the Board of Directors from 9 to 10 and to constitute 4 Directors to be a quorum at any meeting of the Board of Directors. The said Special Resolution requires confirmation by at least two-thirds (⅔) of the votes cast at the Annual and General Meeting of Shareholders.

Unless otherwise instructed, proxies which are received pursuant to this solicitation will be voted in favour of the Special Resolution.

APPOINTMENT OF AUDITORS

The firm of Coopers & Lybrand, Chartered Accountants has been nominated for the office of Auditors of the Company by the management. Coopers & Lybrand, or its predecessor firm, Cooper Brothers & Co., has been regularly appointed to the office of Auditors of a wholly-owned Canadian subsidiary of Rio Tinto-Zinc, the Canadian parent of the Company, and subsidiaries of the company for periods in excess of five years or from inception or acquisition of certain subsidiaries. The management of the Company is informed that no member of this firm has any interest, financial or otherwise, direct or indirect, in the Company or any of its parents or subsidiaries, except for fees received as Auditors of the various companies.

Unless otherwise instructed, proxies which are received pursuant to this solicitation will be voted for the appointment of Coopers & Lybrand as Auditors of the Company.

SOLICITATION OF PROXIES

The Company will bear the cost of preparing, assembling and mailing the Notices of Annual and General Meeting of Shareholders, Proxy Statements and forms of Proxy for the Annual and General Meeting of Shareholders. In addition to the use of the mails, proxies may be solicited on behalf of management by Officers, Directors and regular employees of the Company personally or by telephone.

Under the provisions of The Corporations Act (Ontario), a shareholder giving a proxy has power to revoke it. The following is the revocation procedure prescribed in Section 75 (a) (4) of The Corporations Act.

> "In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting, or adjournment thereof, and upon either of such deposits the proxy is revoked."

Each shareholder has the right to designate as his proxy a person other than Mr. Armstrong or Mr. Albino or Mr. Arnold, the management nominees, to attend and act for such shareholder at the Annual and General Meeting of Shareholders. Any shareholder desiring to exercise such right may do so by striking out the names of the management nominees in the enclosed form of proxy and inserting in the space provided the name of the person so appointed as his proxy, or may do so by executing a proxy in form similar to the enclosed form.

OTHER BUSINESS

The management does not know of any other matters that may come before the meeting. It should be noted, however, that the enclosed form of proxy is a discretionary proxy and if any other matter should properly come before the meeting, the shares represented by the enclosed form of proxy will be voted by Mr. Armstrong or Mr. Albino or Mr. Arnold, the management nominees, upon such other matters in accordance with the best judgment of such management nominees.

By Order of the Board of Directors

Toronto, Canada.
March 5, 1969.

A. C. Turner
Secretary

Printed in Canada

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PRESTON MINES LIMITED

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

for the six months ended June 30, 1969
($000's omitted)

	1969	*1968*
Source of funds:		
Net earnings for the period	$1,150	$1,085
Add depreciation and other charges which did not require a cash outlay during the period	—	7
	1,150	1,092
Disposition of funds:		
Dividends paid on common shares	1,099	1,099
Deferred development expenditures—Stanleigh drilling program	97	132
	1,196	1,231
Decrease in working capital	**$ 46**	**$ 139**

Preston Mines Limited

Interim Report to the Shareholders

for the six months ended June 30, 1969

TO THE SHAREHOLDERS:

Net earnings for the six months ended June 30, 1969 were $1,150,000 compared with $1,085,000 for the same period in 1968. Investment and other income of $1,137,000 includes dividend income of $1,076,480 received in June from Rio Algom Mines Limited. A dividend of 14 cents per share, amounting to $1,098,907, was declared by your directors on June 2, 1969 and paid on June 27, 1969.

As previously announced, uranium values have been encountered in seven of eight holes drilled on the Company's Stanleigh property. Two additional holes currently being drilled are expected to be completed by the end of August.

The Company's major asset continues to be its investment in Rio Algom Mines Limited. Accordingly, two major developments affecting Rio Algom will be of interest to Preston shareholders.

Construction at Rio Algom's Utah uranium mine is proceeding on schedule and commercial production will commence in 1972. A formal loan agreement for U.S. $14 million was signed on July 24, 1969 with a consortium of four U.S. and Canadian banks. The balance of the funds required, approximately U.S. $5.2 million, is being provided by Rio Algom.

As previously announced, letters of intent were signed in April, 1969 by Lornex Mining Corporation Ltd., in which Rio Algom currently has a 36% interest, for the financing of its mine and the sale of its copper concentrate. Negotiations to complete formal contracts are under way with a Canadian banking group which will provide Canadian $60 million of the financing, and with a Japanese consortium which will provide U.S. $26.5 million of the financing and will purchase the entire copper concentrate production of Lornex for 12 years. Rio Algom will manage the project and will provide Lornex with Canadian $21.3 million by purchasing units comprising subordinated income debentures and Lornex shares; the additional shares will bring Rio Algom's interest in Lornex to a fraction above 50%.

Toronto, Canada R. D. ARMSTRONG
July 29, 1969. *President.*

Subject to year-end audit and adjustments.

PRESTON MINES LIMITED

STATEMENT OF EARNINGS

for the six months ended June 30, 1969
($000's omitted)

	1969	*1968*
Revenue from gold production less marketing costs	$ —	$ 454
Mine operating costs	—	391
Profit from mining operation	—	63
Proceeds from sales of fixed assets and mine supplies	80	15
Investment and other income	1,137	1,136
	1,217	1,214
Deduct:		
Cost of reconditioning equipment sold and idle mine expenses	41	26
Termination pay	—	71
Administrative expenses	26	32
	67	129
Net earnings for the period	**$1,150**	**$1,085**